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ABSTRACT

A pilot project in performance funding at Tennessee Tech University is described. The pilot project was part of a statewide "Performance Funding Project" sponsored by the Tennessee Higher Education Commission (THEC). The Performance Funding Project was designed to improve the formula appropriations process by determining the feasibility of allocating some portion of state funds to community colleges and universities on a performance effectiveness criterion as compared to the current credit hour and enrollment criteria. The focus was upon instructional goals only with concern with institution-wide goals, rather than with the instructional goals of particular programs, departments, or colleges. Performance contracts between the university and the THEC itemized institutional obligations to identify/develop goals and associated performance indicators provide evidence of representative faculty involvement in developing goals and indicators, gather and report data on the indicators, and the like. A chronologically organized summary of the execution of the pilot project at Tennessee Tech University is presented. A discussion of some of the factors responsible for the degree of success achieved is included. (SW)

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STATE-WIDE GOALS AND THE UNIVERSITY: A PILOT PROJECT IN PERFORMANCE FUNDING*

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STATE-WIDE GOALS AND THE UNIVERSITY: A PILOT PROJECT IN PERFORMANCE FUNDING

(ABSTRACT)

A pilot project in performance funding at a regional state university is presented as a case study. The pilot project was part of a larger, state-wide effort, the Performance Funding Project, which was sponsored by the Tennessee Higher Education Commission. A description of the execution and outcomes of the pilot project is followed by a discussion of the reasons for and implications of its success.

STATE-WIDE GOALS AND THE UNIVERSITY: A PILOT PROJECT IN PERFORMANCE FUNDING

INTRODUCTION

An important correlate of the growing concern about and emphasis upon public accountability is the increasing attention being afforded to performance funding by a variety of interested parties, including state legislaturesand executive offices, state-wide coordinating agencies and governing boards, and institutions of and professionals within public higher education. A review of major state-level experiences with "performance budgeting," "performance audits," and "program reviews," together with a clarification of select conceptual, operational and political issues, appears in a recent publication edited by John K. Folger (1977); and it warrants the attention of all those with a serious interest in the subject.

The present inquiry involves a case study in performance funding; specifically, it is based upon the execution and outcomes of the THEC Performance Funding Project at Tennessee Tech University, a pilot project conducted during the academic years 1976-77 and 1977-78.[1] A description of pilot project participants, activities and results is followed by a discussion of some of the factors that were responsible for the degree of success achieved.[2]

THE PERFORMANCE FUNDING PROJECT IN TENNESSEE

The THEC Performance Funding Project at Tennessee Tech University was part of a larger state-wide effort sponsored by the Tennessee Higher Education Commission (THEC) and funded to a total amount in excess of one-half million dollars by grants from the Fund for the Improvement of Postsecondary Education (FIPSE), the W.K. Kellogg Foundation, the

Ford Foundation, and an anonymous donor. The state-level project involved as active participants the state-wide coordinating agency (THEC), two governing boards, and eleven public, state-supported institutions, including community colleges, regional universities, a university health science center, and comprehensive, research-oriented, doctoral-granting universities. The primary objective of the project was to determine the feasibility of performance funding as a complement to a more conventional enrollment-based formula. The intent of the project was articulated explicitly as follows:

> Fundamentally, the Performance Funding Project was conceived as a venture in the improvement of the formula appropriations process. The purpose of the project is to explore the question of whether it might be desirable and possible to allocate some portion of state funds to community colleges and universities on a performance effectiveness criterion (how good) as compared to the current credit hour and enrollment criteria (how much) (Bogue, Harris and Troutt, 1976, pp. 1-2).

Additional clarification of the desired outcomes of the Performance Funding Project is made possible by a consideration of certain "boundary conditions" that any suggested revision in the current funding policy would need to satisfy. Any such changes in the allocations formula must:

(1) Be politically acceptable, easily understood and accepted by legislators and members of state government;

(2) Be professionally acceptable, striking the right balance between the need for institutional autonomy and the need for State-level review;

(3) Encourage institutions to exercise initiative in developing performance measures on which they might eventually be funded; and

(4) Recognize differences in institutional role and environment and promote diversity (Bogue and Troutt, 1977a, p. 4).

The execution of the Performance Funding Project in Tennessee involved several significant activities and accomplishments, including the establishment and work of a National Advisory Panel and a Statewide Advisory Committee of participating governing boards, institutions, legislators and officials; visits by THEC Project Staff to the public institutions in the State; the use of external consultants; a survey of other states' activities; staff visits to centers of the other related activities (e.g., NCHEMS); and the successful pursuit of funding support; to cite some of the more significant (Bogue, Harris and Troutt, 1976, pp. 3-4).

Of the several completed and anticipated project activities, however, it is likely that the most significant and potentially most critical to the degree of success achieved were the "pilot projects" conducted at eleven selected institutions of higher education from throughout the state (Bogue and Troutt, 1977a).

The major objectives of each of the eleven pilot projects were as follows:

First Year

1976-1977. The first year of these pilot projects is dedicated to the development and/or identification of instructional goals and

associated performance indicators.

Second Year

1977-1978. The second year calls for the acquisition of data on these indicators and the development of ways in which performance might be incorporated into the funding project (Tennessee Higher Education Commission, 1976).

Two aspects relating to the objectives of the pilot projects may require some additional clarification: First, it should be noted that the focus was upon instructional goals only. Although it was recognized that the missions of universities entail a commitment to research and public service, as well as to instruction, "...time and resources suggest that our principal attention be directed to instruction." Second, it is important to recognize that the concern was with institution-wide instructional goals, rather than with the instructional goals of particular programs, departments, or colleges. "While this is a more 'global' level of emphasis and difficult to assess,...we believe that careful work at the institutional level may have useful spinoff benefits for assessment and internal reward at the program level" (Tennessee Higher Education Commission, 1976).

Each of the eleven participating institutions formalized their involvement and commitments by virtue of "performance contracts" entered into with THEC, one for each of the project years. These contracts itemized institutional obligations to identify/develop goals and associated performance indicators, provide evidence of representative faculty involvement in developing goals and indicators, gather and

report data on indicators, and the like. In return for institutional fulfillment of contractual obligations, grant monies in relatively modest amounts (e.g., Tennessee Tech University received a two-year total of $32,000 for its efforts) were made available from THEC to help support the pilot projects.

The balance of this paper is devoted to a description of the participants, activities and results involved in the execution of the pilot project at Tennessee Tech University. A chronologically organized summary of the project's execution is followed by a discussion of some of the factors that were responsible for the degree of success achieved.

THE PILOT PROJECT AT TENNESSEE TECH UNIVERSITY

The institutional commitment to participate in the Performance Funding Project was authorized by the President of the University and formalized by the aforementioned "performance contract," an agreement with THEC having the approval of the University's governing board (the State Board of Regents) and the Tennessee Department of Finance and Administration (Dumont, 1977b). Administrative responsibility for the project was assumed by the Vice President for Academic Affairs.

Project implementation began with the appointment of a Director. The Vice President invited a member of the faculty to assume that role, the Chairman of the Department of Sociology and Philosophy. Ostensibly, part of the reason for that choice was that faculty member's prior experience with institutional research at another institution, including work in organizing faculty involvement in objectives-based planning, identification and operationalization of program evaluation criteria, working familiarity with NCHEMS' products, and the like.

In accord with project guidelines, the Director was concerned with assuring representative faculty participation and maximum feasible faculty involvement in the pilot effort. That commitment should be evident in the following chronological outline of the principal activities of the two project years:

First Year (1976-1977)[3]

DEVELOPING THE GOALS AND INDICATORS

March - April: Selection of Faculty Associates for the Project.

The "Faculty Associates," who advised and assisted the Director in any and all matters pertaining to the project, were selected deliberately so as to be as representative as possible of the University Faculty. To that end, and in keeping with the objectives of the project, which focused upon institution-wide instructional goals, college and departmental credit hour production figures for the 1976 Fall Quarter were utilized in selecting twelve academic departments in accord with the proportionate credit hour distribution. Having identified departments, the Director subsequently consulted with several colleagues, including the Chairman of the University's Faculty Committee on the Evaluation and Improvement of Instruction, for the purpose of identifying faculty within the designated departments known to have an especially strong interest in and commitment to instructional excellence. In this manner, the five colleges and twelve separate departments were represented, thereby providing strong assurances of a broad range of faculty perspectives and interests.

May - June: Development of a Set of Institution-Wide Instructional Goals by the Faculty Associates.

Each Faculty Associate was requested to prepare a list of what constituted in his or her opinion a relevant set of institution-wide instructional goals for the University. The pertinent question they were asked to consider in developing their goal sets was, "What attributes or characteristics would we like to help develop in all or most of our students, regardless of the student's major or College?" Several of the Faculty Associates admitted that they found this to be a most challenging question, particularly since they had grown accustomed to thinking almost exclusively in terms of the goals or outcomes of their particular programs, departments and colleges.

The Faculty Associates were advised to rely upon whatever resources they thought appropriate in identifying and articulating their goals and goal sets, including their own experiences as members of the University community. It was suggested that they might find it particularly fruitful to "pick the brains" of colleagues in their several departments and colleges. Additionally, they were provided with four basic and common references: (a) A copy of Chapter 1, "Purpose," of the University's 1973-74 Institutional Self-Study Report, which had been prepared for the Southern Association of Colleges and Schools; (b) A copy of a discussion paper sponsored by THEC entitled, The Competent College Student: An Essay on the Objectives and Quality of Higher Education (Branscomb, Milton, Richardson, and Spivey, 1976); (c) Copies of "Appendix A" and "Appendix B" from Benjamin S. Bloom's Taxonomy of Educational Objectives (1956), representing the "Affective" and "Cognitive" domains, respectively; and (d) A copy of a list of institutional

goals and associated performance indicators for a hypothetical college, which was cited in a recent THEC publication entitled, Case Studies in Performance Funding (Bogue and Troutt, 1977b).

Of the reference materials provided the THEC discussion paper, The Competent College Student, which was written by four prominent and distinguished Tennessee educators, was clearly the most useful, since the Faculty Associates were unanimous in their endorsement of it.

After considerable discussion and thorough review of available materials, a composite set of thirty-one institution-wide instructional goals emerged (Dumont, 1977a).

June - August: Campus-Wide Faculty Survey of Instructional Goals.

In the interest of maximum feasible faculty involvement, it was decided that all members of the University faculty ought to be afforded the opportunity to give their reactions to the composite goal set prepared by the Faculty Associates. Accordingly, a campus-wide faculty survey of instructional goals was conducted utilizing a paper and pencil questionnaire having the same "Is" - "Should Be" response format as the Educational Testing Service's Institutional Goals Inventory (Peterson, 1970; 1971a; 1971b).

Nearly ninety percent of the faculty participated in the survey, which represents a very acceptable level of response, particularly during the summer months. Analysis of the data revealed general faculty endorsement of the goals identified as legitimate by the Faculty Associates. The results of the survey are discussed in detail in a report entitled, Instructional Goals Survey: THEC Performance Funding Pro-

ject (Dumont, 1977a), which was distributed to each and every member of the University faculty.

September - October: Identification of Performance Indicators

The development of appropriate performance indicators represented one of the major challenges of the project, perhaps the major challenge. The Faculty Associates spent many hours in many meetings discussing and debating the appropriateness and validity of a wide variety of possible indicators for the instructional goals. It is the opinion of the Project Director that a major reason for the difficulty in reaching agreement about indicators was the problem that many of the Faculty Associates had in recognizing and accepting the phenomena of indeterminacy and problematic validity which appear to be almost inevitable accompaniments of the instructional goals - outcomes assessment process.

Despite the difficulties involved, a set of indicators was developed. In so far as practicable, three classes or categories of indicators were identified for each instructional goal:

(a) More or less "objective," readily available, and "hard" pre-existing data on institutional activity which may be justified in terms of its contribution to goal attainment. For example, among the indicators associated with the goal to "develop effective writing abilities," were: Student performances on the University's English Qualifying Exam (EQE); Student utilization of the English Laboratory for remedial work; and Student enrollments, performances and evaluation of Honors courses.

(b) One or more extra-institutional standardized tests intended as partial measures of goal attainment. Once again, found among the indicators for the goal cited under (a) above were: ACT scores of a sample of seniors as compared with those at entry; and Performances of a student sample on ACT's COMP (College Outcome Measures Project).

(c) Student and alumni reported satisfaction with personal goal attainment as determined by sample surveys.

In selecting among available extra-institutional standardized tests, considerations of cost and feasibility of administration were paramount. Since the concern was with measuring the degree of attainment of thirty-one different goals, it was recognized that it would not be feasible to select for each of the thirty-one the best (most appropriate, valid, and reliable), single and self-contained assessment instrument. Such an approach would prove prohibitively costly and tax the patience and good-will of otherwise potentially interested and cooperative students by requiring days or even a full week of testing.

In this regard, a special word needs to be said about the decision to adopt ACT's COMP (Forrest, 1977; Forrest and Steele, 1977). Not only did that battery allow direct assessment of nine of the identified goals and indirect assessment of eleven others, there were additional more or less compelling justifications for its use. Although the COMP program was still in its developmental stages, so that definitive evidence concerning matters of reliability and validity was not yet available, it was viewed as having the following two principal advantages:

(a) It was intended to assess general educational outcomes, that is, the ability to apply knowledge gained from a potentially wide variety of courses and college and university experiences. This feature was in contrast to most other assessment approaches, which focus more closely on the outcomes of particular programs or courses; and it made the COMP program particularly desirable as providing a set of indicators for the "institution-wide" instructional goals of the pilot project.

(b) A second impressive and distinguishing characteristic of the COMP program was in its use of stimulus or testing materials which are not restricted to the traditional paper and pencil tests. In particular, "real life" experiences, such as T.V. documentaries, radio broadcasts, taped interviews, and the like are employed to elicit and/or record student responses.

In any event, and despite the fact that questions of validity and reliability were moot at the time of adoption, there was excitement and optimism about the assessment and learning potentials of the COMP program. There was a similar conviction that some useful if imperfect and incomplete information and indication of goal attainment would be provided by each of the other indicators.[4]

The emphasis upon campus and community awareness and involvement in the project was continued and expanded in the second project year, as the continuing chronological outline of activities and events reveals:

Second Year (1977-1978)

GATHERING AND PRESENTING DATA ON INDICATORS

October - December: Planning for the Data-Gathering Effort

The second project year began with the development of plans for the data-gathering effort by the Faculty Associates and the Project Director. A decision was made to gather data on but 14 of the 31 goals developed in the first project year. Reluctantly, it was determined that available time and resources would simply not allow for an adequate and satisfying data-gathering effort regarding the indicators for all 31 of the goals identified as important by the University faculty. Assessment was therefore focused upon "essential skills" (writing, reading, speaking, mathematical), "basic understandings" (history, social sciences, science and technology, literature), "special attributes" (critical thinking and acquaintance with major methods of inquiry), and "preparation" for further study and for employment.

An important aspect of the planning phase involved securing the services of "Faculty Experts" to assist the Director in the coordination and execution of the data-gathering tasks. Specifically, a demographer agreed to perform the task of gathering and analyzing the "preexisting data on institutional activity;" a psychologist assumed responsibility for the administration and analysis of results of "extra-institutional standardized tests;" and a department chairman from the College of Education assisted the Project Director with the "student and alumni reported satisfaction" surveys. Faculty were also identified and provided with orientation to serve as raters for the ACT COMP (College Outcome Mea-

sures Project). These faculty represented the departments of English (for the COMP domain of Communicating), Civil Engineering (for Using Science and Technology), History (for Functioning Within Social Institutions), and Business Administration (for Solving Problems).

January: Increasing Faculty and Student Awareness of Project Activities

Although the objectives and activities of the project were quite well-publicized from the outset, through the media of community and university newspapers and local radio and television and through the dissemination of numerous written materials and progress reports to the faculty by the Project Director and Faculty Associates, a concerted effort was made during the month of January to heighten student awareness and to allow open forums for the discussion of issues. Of these activities, perhaps the most significant were two open meetings held to which all interested faculty and student leaders were invited. At the first of these, the Performance Funding Project Director from the TFEC spoke and responded to pointed and difficult questions from administrators and faculty. A second open meeting consisted of a formal presentation and discussion about the ACT COMP, directed by a faculty coordinator from one of COMP's pilot institutions. At both of these meetings, controversial and difficult questions centering primarily on issues of focal concern to faculty (e.g., academic freedom and institutional autonomy) were discussed openly and candidly.

February: Preparation for Major Data-Gathering Efforts

During the month of February, preparations were made to gather performance data regarding the three major classes of indicators identified

previously:

Preexisting data on institutional activity - Liaison was established and contacts made with the Office of Admissions and Records, the Computer Center, the Division of Student Services, the several Colleges, and selected academic departments for their assistance in providing and/or securing data.

Extra-Institutional Standardized Tests - Liaison was established with appropriate professional staff at the headquarters of The American College Testing Program in Iowa City in preparation for the administration of the ACT Battery and the ACT COMP. Simultaneously, a stratified random sample of seniors was selected and invited to participate in the assessment. Stratification was based upon College, sex, and QPA of student. On the assumption that oversampling would be required to assure the desired sample size of 100, 143 seniors were invited to take the tests.

The invitation to participate assumed the form of a letter from the President of the University. Incentives for participation consisted of the promise of providing assistance to the University's efforts in the area of instructional improvement, gains in self-knowledge, intrinsic enjoyment of the assessment activity, a special certificate of appreciation, and a monetary reward for performance.

Student and alumni reported satisfaction - Questionnaires for both the student and alumni surveys were developed, using materials available through the National Center for Higher Education Management Systems (NCHEMS) as primary models.

March - April: Gathering Data on Performance Indicators

The principal data-gathering efforts of the Project occurred during the months of March and April:

Extra-Institutional Standardized Tests - On March 28, 1978, the ACT Battery and the ACT COMP were administered to the stratified random sample of seniors. A total of 112 seniors participated in the assessment, which was conducted by the University Counseling Center's professional staff. With the exception of significant student complaints about poor audio reproduction (some of the COMP test stimuli are on tape) and about having to appear at a subsequent date for a ten-minute taping session (some of the COMP test answers require a verbal response), the assessment experience appears to have been successfully executed.

Student and alumni reported satisfaction - Survey questionnaires, accompanied by an appropriate cover letter from the President of the University, were sent to enrolled seniors and to recent alumni (Class of 1977) late in April, utilizing the Campus Mail system for the former and the U.S. Postal Service for the latter. The initial mailing plus one follow-up yielded a 75% return (N=751) on the student survey; two follow-ups resulted in a 64% return (N=529) on the part of alumni. Selected cross-tabulations using "week-of-return" as an independent variable with "key" dependent variables revealed no evidence of any significant non-response bias.

Preexisting data on institutional activity - With the cooperation of the college deans, the Division of Student Affairs, the Office of Admissions and Records, and several appropriate administrators and faculty,

the very tedious task of locating, accumulating and compiling relevant activity data occurred primarily during this period.

May - June: Final Analysis of all Project Data

Final analysis, compilation, interpretation, organization and presentation of all data on instructional performance indicators was accomplished during this period, with the effort extending into July (Dumont, 1978).

DISCUSSION

As should be evident from the preceding description, the pilot project at Tennessee Tech University was successfully executed and the principal project objectives were realized. Specifically, in the interest of improving upon the current appropriations-allocations process by introducing a complementary performance-effectiveness feature: (a) institution-wide instructional goals were developed; (b) performance indicators were identified for each of the instructional goals; and (c) data relevant to the several performance indicators were gathered and formally reported (made public).

In accomplishing the project outcomes, significant resistance was encountered and concerns were expressed by members of the University community, particularly faculty. In the initial planning stages and throughout the two years of the project, there were oft-repeated concerns regarding: (a) the potential for increasing external control and internal "meddling" by THEC and the governing board; (b) the likelihood of the development of pressures for the indicators, which are the "means"

of evaluation to become "ends" in themselves, thereby displacing the corresponding instructional goals (the goal-displacement criticism is also applicable to enrollment-driven formulas); (c) the "uninformed" interpretation and use of performance data, i.e., that which might occur without proper understanding or appreciation of matters regarding reliability, validity and generalizability; (d) the apparently, politically and practically insoluble "rich get richer" and "poor get poorer" vs. "Robin Hood" dilemma of performance-based funding.

Among both administrators and faculty, therefore, there were expressed strong and vocal skepticism and opposition to increased accountability in the guise of performance funding. The criticisms identified above were expressions deriving from a sometimes explicit, but usually implicit concern with the preservation of both institutional autonomy and faculty academic freedom; and they were communicated clearly and formally to the THEC staff as integral components of "reports" submitted in keeping with the pilot project's contractual agreements with THEC.

Despite thoughtful, appropriate and well-articulated concerns and criticisms, however, the principal objectives of the pilot project at Tennessee Tech (and at other participating institutions) were realized. Regardless of the future of performance funding for Tennessee higher education, it should be clear that accomplishment of the project objectives at the institutional level may be taken as evidence of an institutional receptivity to the general notion of performance funding. To

the extent that the perceptions and interpretations presented in this paper are accurate, perhaps a partial explanation for that institutional receptivity can be found in relating the pilot project experience to certain generalizations advanced by H. Bradley Sagen in his article on academic change (Sagen, 1972).

Sagen introduces and develops a set of five primary conditions affecting the likelihood of adoption of academic innovations. They are presented below together with selected comments relating each to the pilot project experience:

(1) Institutional support (norms and rewards) as reflected in both the attitudes and support of governing boards and academic administrators.

At the state level, the Performance Funding Project involved the governing boards of the two public systems of higher education. Both appear to have been cooperative in (if somewhat skeptical about) the project effort. The project liaison representative of this institution's State Board of Regents was most supportive and encouraging of the pilot effort.

Similarly, the principal academic officers of Tennessee Technological University took a keen interest in and were most supportive of the project at both the state and local levels. The Vice President for Academic Affairs, for example, was an active member of the Statewide Advisory Panel and provided indispensable support to the pilot effort at the local campus level. Similarly, the academic deans of the University's five colleges cooperated fully in facilitating the accomplishments of all project objectives.

(2) Compatibility of Proposed Innovation with Values of Faculty.

By and large, faculty can be seen to subscribe to the values of the larger society; such as those of freedom, democracy, individualism, rationality, practicality, efficiency, and effectiveness. The notion of performance funding, to the extent that it successfully accommodates the primary faculty concerns with academic freedom and institutional autonomy, does appear consistent with the set of values that faculty members hold. Certainly, few faculty would argue against t[illegible] legitimacy of a state-wide goal of instructional improvement, so long as the state-wide coordination required for the pursuit of that goal did not encroach upon the pedagogical prerogatives of individual institutions. In this regard, the Performance Funding Project experience in Tennessee has provided some important insights into state-wide coordinating agency - institutional relationships, as those relationships reflect accommodation of the tensions existing between accountability demands on the one hand and the need for autonomy and academic freedom on the other hand.

We have already indicated the existence and persistence of resistance to the pilot project effort among faculty and administrators at Tennessee Tech. With few exceptions, those same trepidations and objections appear to have been raised and articulated at other pilot project institutions. This generalized resistance appears to have been a major operative factor in a significant shift in basic policy assumptions and/or goals which had been articulated by THEC staff in the project's early stages. Specifically, the state-wide project was initiated on the basis of two fundamental and inter-related assumptions: (a) that

dollars flowing to institutions would somehow be linked to institutional values on performance indicators; and (b) that dollars would flow as a reward for performance only after successful performance (quality) had been demonstrated. The commitment to these two assumptions became increasingly tenuous over the project period. Indeed, concerns expressed by and resistance encountered from pilot project directors, faculty and administrators were evidently significant in inducing THEC staff to include an explicit acknowledgement of the policy shift in a recent discussion paper in which they shared the "Lessons on the Meaning of Performance:"

> One of the early challenges receiving project staff attention was that of 'the meaning of performance.' Conventional ideas about performance would include the evaluation of achievement against some predetermined standard or criterion. Thus, if one is talking about the possibility of performance funding, an obvious approach is to relate the size of funding to the level of performance. Put more bluntly, the amount of money flowing to an institution would be a direct function of how well its students performed on some measure of educational achievement. This indeed, was the original question posed by the project.
>
> However, letting the size of institutional funds ride on the potential ups and downs of student outcome performance was rejected as an acceptable public policy by the project staff. Here are the reasons: (1) The principal idea behind any kind of performance assessment--personnel or program assessment--

is to promote improved performance. (2) Improved performance cannot be achieved when disappointing results are hidden or camouflaged under the fear of punitive action. The probability of such dysfunctional use of educational performance data--distortion of evaluation processes and results--is high when educators believe that funding may turn on results. (3) Improved performance is most assured when performance data are acquired and applied by those in best position to affect performance--in this case faculty. The challenge is to encourage the acquisition and application of performance data. (4) Finally, both program and faculty performance can be significantly influenced--for good or bad--by institutional leadership. To deprive an institution's students of adequate financial support because of poor leadership may not be the best solution. To call for change in the leader or leader performance certainly is appropriate--and such decisions are made on a more certain base when performance data are available.

These convictions have lead the staff to favor another understanding of the word 'performance'--but an understanding equally well accepted in the profit sector. It is the understanding associated with contractual relationships. In a contractual relationship, the contractor agrees to deliver certain services or goods according to specifications--such services or goods to be delivered in exchange for an agreed payment.

> In the judgement of project staff, the general application of this concept offers good potential for promoting increased attention to instructional effectiveness at the campus level. And it can do so without infringing upon the autonomy essential to both effective and efficient management. The idea of contract leaves in the hands of faculty and campus administrators those decisions which should rightly and properly be theirs, but provides sufficient public visibility that the public can be assured evaluative processes are in place. In a word, the evaluation processes are designed primarily for professional use but are open to lay scrutiny.
>
> This inclination toward the contractual nature of performance can be found in many of the performance funding ideas previously presented and constituted an important change in perspective on the meaning of performance from understandings held at the beginning of the project (italics provided)(Bogue and Troutt, 1979, pp. 65-67).

It is difficult to overestimate the profound significance of this policy ("perspective") shift in terms of its implications for the tensions existing between demands for increased accountability on the one hand and the requirements of institutional autonomy and faculty academic freedom on the other hand. Specifically, what began as a project intended primarily to advance the interests of accountability through evaluation and an associated coercive (reward or punishment) mechanism involving differential distribution of funds (resources) shifted to an

emphasis more congenial to the values of academic freedom and autonomy, i.e., the encouragement (as opposed to coercion) of evaluation for improved instructional performance (as opposed to evaluation for control) through the provision of "incentive" monies. Of perhaps equal significance is the emphasis upon the contract as a mechanism for encouraging institutions to provide public evidence on performance, while simultaneously preserving measures of institutional autonomy and faculty academic freedom in identifying and providing data on selected institutional and program goals and indicators.

The policy shift was both prompted and facilitated by the simultaneous operation of three important factors: (a) the realities of and rationale for institutional resistance to the original "dollars on indicators" proposal or assumption; (b) the existence and use of "legitimate" and formalized means for the clear articulation of institutional concerns, such as the several formal reports of pilot project activities and outcomes, reports which both allowed for and encouraged candor in the expression of institutional concerns, and which were integral requirements of the pilot project performance funding contracts; and (c) the openness, flexibility and receptivity to accommodation evidenced by THEC staff, as demonstrated by their encouragement of candor, sensitivity to vital issues and to the legitimacy of conflicting interests, willingness to recognize and to honor practical-political-professional "boundary conditions," and to participate in open meetings and to grapple directly with pointed questions from administrators and faculty concerning central local and individual interests.

(3) The Side Effects of Innovation. Faculty are concerned often not with direct educational benefits of innovation but how it may affect personnel welfare--promotion, tenure, salary increases, etc.

Although it is not entirely clear how performance funding is likely to affect faculty welfare, the general orientation encompassing incentives and rewards for performance may be operating as a positive factor.

(4) Communication. The employment of two-way communication and the selection of credible communicators are important steps in any change process.

A major strength of the Performance Funding Project was clearly in the area of open and continuing communications. At the state level, ongoing briefings and discussions involved members of the legislature, THEC Staff, the governing boards of the two state systems, and the administrative officers of the several institutions. A Statewide Advisory Committee was also active, representing and reflecting these varying interests.

At Tennessee Technological University, completion of project objectives was undoubtedly made possible primarily because of the fact that faculty were given responsibility for the project's execution. Faculty involvement took a variety of forms, including directing the project, conducting and participating in a campus-wide instructional goals survey, coordinating and executing the data-gathering effort, and considering and suggesting performance-effectiveness modifications to the appropriations-allocations process.

(5) Perception of present situation. Proposed innovations are rarely evaluated on an absolute basis. Rather they are evaluated against the need and possible benefits of change.

Perhaps the greatest incentive for performance funding is the promise it holds for compensating at least partially for some of the faults generally attributed by faculty to the current enrollment-driven formula. Several prominent criticisms have been summarized recently by THEC Staff (Bogue and Troutt, 1977a, pp. 2-3). These criticisms include charges that appropriations formulae:

(a) Tend to impose a leveling effect upon the quality of educational programs. Using average costs for formula instructional rates tends to have a homogenizing effect on institutional diversity. The costs of an exceptional academic offering are averaged out by the costs of typical offerings of the same course by other state institutions.

(b) Provide no incentive for improved instructional performance. Instructional rates remain the same regardless of instructional performance. Quantity rather than quality is emphasized.

(c) Encourage a displacement of institutional goals. Obtaining more students displaces the goal of serving students. Formulae tend to become ends in themselves.

(d) Tend to utilize a linear approach which fails to recognize both economies of scale and plateaus of fixed or marginal costs. As a result, formulae are great during periods of

enrollment growth but not so promising during enrollment declines.

Although our analysis of the pilot project effort in terms of Sagen's framework suggests a generally positive and receptive climate for change, we do not wish to understate or to minimize the importance of the several serious questions and knotty problems which remain. To what extent any particular performance based funding modification to the formula can accommodate the kinds of concerns raised by faculty and administrators remains a moot question. For example, dissatisfaction with the recently-implemented performance funding policy in Tennessee has already been expressed and that policy is being revised.[5]

FOOTNOTES

1. Tennessee Tech University is a regional institution of approximately 6,500 FTE students, founded in 1915 and located in Cookeville, a city of 20,000. Tennessee Tech, which is part of the State University and Community College System of Tennessee, offers a range of undergraduate and graduate programs in five colleges. A single interdisciplinary doctoral degree in Engineering is offered.
2. In a recent study (Dumont, 1980), I have described and interpreted the state-wide Performance Funding Project utilizing analytic frameworks from modern organization theory; and emphasizing the descriptive and explanatory utility of a conceptual focus upon the interrelationships among "power-resources-conflict" variables.
3. Tennessee Tech University did not become involved formally with the Performance Funding Project until March of the first project year. The pilot efforts at the other ten participating institutions had been underway since September of 1976.
4. The list of all thirty-one institution-wide instructional goals and associated performance indicators for Tennessee Tech University appears in the October, 1977 End-of-Year Report (Dumont, 1977b).
5. The essential features of the Performance Funding Policy in Tennessee, which was implemented for the 1980-81 appropriations cycle, have been described as follows:

> Approximately two percent of institutional budgets was allocated on the basis of institutional performance on five

instructional performance/quality indicators: (1) proportion of eligible academic programs accredited, (2) assessment of general education outcomes, (3) assessment of specialty field outcomes, (4) peer evaluation of programs, and (5) student/alumni satisfaction indices. The range of allocations available based on this evaluation was from $30,000 at smaller institutions to a $1,000,000 at the state's largest institution. (Bogue, 1979, p. 1).

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